

ARHA Report to AHAAC April 2019

With Ramsey Homes, we have finalized the scope of services with our genealogy consultant and have solicited comments from city staff before finalizing. We have also begun planning with city staff regarding the symposium related to the site history and archeology required per the MOA. Sheeting and shoring is underway with excavation planned to begin before the end of the month, weather permitting. We continue to have bi-weekly on-site progress meetings with the design and construction team.

The City-ARHA Work Group has agreed upon the final language of the revised Resolution 830. The Resolution will go before the ARHA Board and Council for adoption in May.

At Chatham Square, work began last month to replace the screen frames and paint fences. The upgrades at Princess Square have also begun, with the replacement of the electrical panels. The additional contractors for the roof, masonry, brick and pavers have been selected and have been engaged. Repairs are on track to be completed at the end of March.

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 1, 2019

TO: THE ALEXANDRIA HOUSING AFFORDABILITY ADVISORY COMMITTEE (AHAAC)

FROM: ERIC KEELER, DEPUTY DIRECTOR, OFFICE OF HOUSING

SUBJECT: CONSIDERATION OF A REQUEST FROM AHC INC FOR AN INCREASE OF \$940,000 IN THE CITY LOAN AMOUNT APPROVED FOR THE CHURCH OF THE RESURRECTION REDEVELOPMENT PROJECT (THE SPIRE)

ISSUE: Additional City loan funds of \$940,000 for The Spire, AHC's 113-unit affordable housing development.

RECOMMENDATION: Approve additional loan funds of \$940,000 bringing the total permanent City loan amount up to \$9.94 million.

BACKGROUND: In December 2016, at AHAAC's recommendation, City Council approved a loan to AHC of "up to \$9 million" (including a previously authorized predevelopment loan of \$400,000) for a 113-unit affordable housing building to be developed. The residential building will contain a mix of 113 units affordable at 30-60% of the area median income (AMI).

DISCUSSION:

Due to increases in construction costs, the complexity of the financing structure (which include a ground lease), and soft costs, the project's overall budget has increased by \$2.7 million (6%) since AHC's 2018 funding approval. AHC had been able to absorb 66% of this increase through its recent \$1.12 million State and National Housing Trust grant award; increased private loan funding from Freddie Mac; and a Federal Home Loan Bank loan of \$500,000. However, a gap of up to \$940,000 remains to be closed. AHC has requested that the City provide additional financial support so that the project can proceed at the end of June.

Staff believes it is critical to keep the project moving forward and preserve the more than \$38 million in committed non-City public and private dollars leveraged by the City's investment. The additional loan amount increases the City's per unit investment from approximately \$80,000 to approximately \$88,000. Staff's analysis of other regional tax credit projects underway or in the pipeline finds that The Spire's costs are consistent with market trends.

FISCAL IMPACT: \$940,000 from the Housing Trust Fund portion of the Flexible Homeownership Program to be transferred into the Housing Opportunity Fund, and possible HOME funds from a loan repayment.

ATTACHMENTS:

1. AHC Request for Additional Loan Funding for The Spire, including Sources and Uses
2. Comparison of 2018 and 2019 Sources and Uses

STAFF:

Tamara Jovovic, Housing Analyst, Office of Housing



March 29, 2019

Eric Keeler
Deputy Director, Office of Housing
City of Alexandria
421 King Street, Suite 215
Alexandria, VA 22314

Via Email

Re: The Spire – Increased Housing Opportunities Fund Loan Request

Dear Mr. Keeler:

I am writing to thank you and the Alexandria Housing Affordability Advisory Committee (AHAAC) for your support of The Spire and to update you on the status of this development. Since The Spire won tax credits in June of 2018, the development has encountered increased costs related to hard costs, utility undergrounding, and higher construction loan interest rates. In light of these unexpected cost increases, AHC is requesting increased City funding in the amount of \$940,000 to keep this new 113-unit affordable community in the rapidly-developing Beauregard corridor on schedule for a Spring 2019 construction start. It is our intent to use these additional loan proceeds only if needed. If we lock in a more favorable permanent loan interest rate than currently assumed prior to closing, we will seek to draw less than the full \$940,000 in additional City funds.

Overview

The Spire has received overwhelming support from the City of Alexandria, including unanimous approval from the Beauregard Design Advisory Committee, AHAAC, Planning Commission, and City Council for its design and zoning. The Spire won an allocation of 9% Low Income Housing Tax Credits (LIHTCs) from the Virginia Housing Development Authority (VHDA) last summer. We anticipate beginning construction, funded with an initial draw on the City loan, in May and closing on tax credit financing in late June.

The Spire will meet a critical need for affordable housing in the City of Alexandria. The City's Affordable Housing Master Plan found that Alexandria lost 12,000 units of housing

affordable at or below 80% of area median income (AMI) between 2000 and 2011, and is projected to lose more. Benefits of this development to the City include but not limited to those highlighted below:

1. Provide 113 units of replacement affordable housing in the Beauregard corridor,
2. Offer 56 units affordable to families at 60% AMI, 45 units at 50% AMI, 6 units at 40% AMI, and 6 units at 30% of AMI.
3. Generate real estate tax revenue of approximately \$200,000 on currently untaxed land, as the affordable building will pay real estate taxes, plus additional sales tax revenue.

Project Cost Increases

Since the tax credit award, project costs have increased significantly in the following categories:

- Construction costs: the current increase in material costs and high demand for labor in the construction industry has driven up the construction costs of The Spire. Despite value engineering efforts to reduce costs where possible, we experienced a \$1.2 million increase in hard costs since receiving cost estimates from our general contractor Harkins Builders prior to submission of our tax credit application.
- City mandates: the site houses several unique electric poles critical to the Dominion Energy network. The electric equipment on the site has proven more complex and costly to underground per City requirements than our consultants had previously estimated. Based on an updated design from Dominion Energy, the cost of undergrounding these overhead utilities has increased by approximately \$400,000. The budget also includes a \$445,730 City-required contribution to the Beauregard fund.
- Construction interest: rising interest rates since last summer have resulted in financing costs increasing by approximately \$430,000.

Cost Mitigation

AHC has taken the following steps to decrease the financing gap in the Spire:

- Value engineered construction costs – we have sought to reduce our construction costs without impacting the high quality design or environmental requirements of the building. This effort has decreased our construction costs by approximately \$450,000 since the last pricing estimate from Harkins.
- Won additional sources of financing – AHC successfully applied for multiple highly-competitive sources of funding, including a grant from the Federal Home

Loan Bank of Atlanta. The Spire was also the recipient of the largest award from the Virginia Department of Housing and Community Development's Fall 2018 funding round. These additional competitive sources have increased our sources by over \$1.6 million.

AHC deeply appreciates the City's continued support of The Spire as we move to begin construction in the coming weeks. If you have any questions, please contact me at 703-486-0626 x170

Sincerely,



Haley Norris
Development Manager, Multifamily Group

cc: Helen McIlvaine, via email
Alan Goldstein, via email

The Spire

At loan approval 2018

Request March 2019

						change
Source		\$45,527,403	\$402,897	\$48,230,501	\$426,819	\$2,703,098
Tax Credit Equity		23,763,657	\$210,298	\$22,753,924	\$201,362	-\$1,009,733
Loan		10,550,000	\$93,363	\$11,543,000	\$102,150	\$993,000
City Loan		9,000,000	\$79,646	\$9,981,000	\$88,327	\$981,000
Deferred Developer Fee		1,713,746	\$15,166	\$1,832,577	\$16,217	\$118,831
AHC Loan		500,000	\$4,425	\$500,000	\$4,425	\$0
Federal Home Loan Bank		0	\$0	\$500,000	\$4,425	\$500,000
Virgina Housing Trust Fund		0	\$0	\$1,120,000	\$9,912	\$1,120,000
Use		\$45,527,403	\$402,897	\$48,229,578	\$426,810	\$2,702,175
Acquisition		4,100,000	\$36,283	\$4,100,000	\$36,283	\$0
Soft Costs		5,745,854	\$50,848	\$6,798,030	\$60,160	\$1,052,176
Reserves		836,880	\$7,406	\$872,703	\$7,723	\$35,823
Financing Costs		1,892,255	\$16,746	\$2,571,617	\$22,758	\$679,362
Construction Costs		29,524,921	\$261,282	\$30,222,074	\$267,452	\$697,153
Developer Fee		3,427,493	\$30,332	\$3,665,154	\$32,435	\$237,661